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C O N F I D E N T I A L TOKYO 002008

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JA

SUBJECT: WHA A/S SHANNON'S APRIL 10 CONSULTATIONS WITH MOFA
LATIN AFFAIRS DG SAKABA: AFTERNOON SESSION

REF: A. TOKYO 1959

[1](#)B. TOKYO 1960

Classified By: Deputy Chief of Mission Joe Donovan. Reason:1.4 (b) (d)

[1](#)1. (C) SUMMARY. Continuing April 10 consultations, MOFA Latin American DG Sakaba told visiting WHA A/S Thomas Shannon that Japan was waiting for a positive response from Bolivian President Morales. Its three "issues" with Brazil were the status of Japanese-Brazilians in Japan, ethanol imports and Brazil's possible adoption of Japan's digital television standard. A/S Shannon and Sakaba exchanged views on upcoming elections; Sakaba said Japan had no preference in Brazil's upcoming presidential election. A/S Shannon explained the U.S. role in Paraguay and debunked rumors of a planned U.S. military base there. Sakaba assured that Japan views APEC as an American-Asian organization, and described the role of the Forum for East Asia Latin America Cooperation. Both men shared views on China's role in the LAC, with Sakaba pointing out that Japan benefited indirectly. He also noted upcoming Japan-China-ROK consultations on Latin America. End summary.

Bolivia

¶2. (C) Resuming discussions in the afternoon on April 10, MOFA Latin America and Caribbean Affairs Director General Mitsuo Sakaba told WHA A/S Thomas A. Shannon that the big issue in Bolivia is new President Evo Morales. Bolivia is a top recipient of Japanese development cooperation programs because of its poor economic conditions. Japan cancelled USD 500 million of Bolivian public debt in 2004. Japan's Special Envoy Tatsuo Arima met with Morales during his January 22 inauguration (a meeting which was scheduled for 5 a.m., Sakaba noted wryly) and conveyed that Japan had canceled its remaining debt as a gesture of Tokyo's willingness to work with the new government. Japan is now waiting for Morales to respond with political and economic gestures. A particular focus is Japan's investment in Bolivian mining. Japan wants to see how the new government will handle its natural resources, including royalties and joint ventures. Sakaba also said Japan is watching how Morales handles illegal narcotics.

¶3. (C) A/S Shannon agreed with Sakaba that Morales would have difficulty tackling the coca issue. Morales has told the United States he wants a counter-drug alliance; Washington will make every effort to assist him. Morales' core constituency, however, are cocaleros, who grow coca leaf and harbor resentment against the U.S. for its eradication programs. The U.S. recognizes that some coca production is legal under Bolivian law, but it is important that Bolivia continue counternarcotics efforts based on interdiction,

eradication and alternative development. The U.S. believes it is important not to make Morales feel cornered; but he needs to understand international realities. The U.S. expects the United Nations to reject Morales' request to remove coca from its list of illegal substances, which will send a message to Morales on the seriousness with which the international community views the issue. A/S Shannon welcomed Sakaba's note that Morales has told the Japanese he favors interdiction as the way to fight narcotrafficking, but commented that in reality Bolivia has little capacity to conduct interdictions without U.S. cooperation and assistance.

Colombia

¶4. (C) Japan expects the re-election of incumbent president Alvaro Uribe in the upcoming Colombian presidential election, Sakaba said. Uribe looks set for a second term, giving him more time to make progress in combating narcoterrorism and strengthening state institutions. Japan appreciates Uribe's anti-insurgent stance and in particular his strong policies toward the Revolutionary Armed Forces of Colombia (FARC). Prime Minister Koizumi, he stressed, has made clear Japan's support for counter-insurgency and business cooperation with Colombia. Japan has a wide range of development cooperation programs with Colombia, Sakaba added, in particular focusing on re-integration programs for former insurgents. Japan does not know, however, how closely the Uribe government communicates with FARC.

¶5. (C) A/S Shannon explained there is not much contact between the government and the FARC. The main interaction with FARC is on a proposed humanitarian exchange of FARC-kidnapped hostages for FARC prisoners, a process largely driven by European countries because of interest in selected hostages. FARC has shown it is not yet ready to enter broader peace negotiations with the government because, while it faces some pressure, its position in the field is still tenable. Uribe's current priorities are to deal with the paramilitaries, and then with the Army of National Liberation (ELN). The FARC will come later. Sakaba asked about extradition of FARC leaders to the U.S. A/S Shannon confirmed that the U.S. currently holds several FARC members, that all the major FARC leaders are under U.S. indictment, and the U.S. will continue to ask for extradition of any captured

FARC leaders.

Brazil

¶16. (C) Japan is currently hosting a large Brazilian delegation, Sakaba remarked, including Foreign Minister Celso Amorim, Development, Industry, and Foreign Trade Minister Luiz Fernando Furlan, and Communications Minister Helio

Costa. The visit has three main topics: 1) the status of Japanese-Brazilians in Japan (education is an problem because of language barriers); 2) ethanol exports to Japan; and 3) Brazil's possible adoption of the Japanese digital television broadcast standard. Overall, relations with Brazil are very active and business ties are developing well. Japan does not believe a Free Trade Agreement (FTA) is possible with Brazil in the near term, however, because of Japanese difficulties in accepting Brazilian agricultural exports and the protectionist nature of the Brazilian market.

¶17. (C) Turning to Brazil's presidential election campaign, Sakaba offered that Japan works well with the administration of incumbent President Luiz Inacio Lula da Silva, but believes it can also work with Brazilian Social Democracy Party candidate Geraldo Alckmin who impressed Japanese officials when he visited Japan last year. Japan, therefore, has no particular preferences regarding the election outcome.

A/S Shannon commented that neither candidate will control the Brazilian congress, making it difficult for either to implement his legislative agenda.

¶18. (C) Regarding the U.S. free trade agenda, Shannon noted that the U.S. has free trade agreements stretching from Canada to Chile, but leaving out the Mercosur countries, as well as Ecuador and Bolivia. Brazil is focused on the Doha round rather than the FTAA, because of its concerns about agricultural subsidies. Sakaba commented that Japan is now watching closely Mercosur's FTA talks with Europe, because this is Brazil's first FTA negotiation with a developed rather than developing partner. Japan has also noted the complaints of some smaller Mercosur members, such as Uruguay and Paraguay, and their desires for separate FTAs with the United States. A/S Shannon clarified that this idea is not currently workable, particularly because Uruguayan beef and dairy exports to the U.S. would be too sensitive. Uruguay also uses the threat of seeking a separate U.S. FTA to exert pressure on Mercosur, trying to show it does not need to work inside the group. The U.S., however, has not ruled out an eventual negotiation with Uruguay.

Mexico

¶19. (C) After reviewing the top three candidates for the Mexican election, A/S Shannon commented that the race was between PAN candidate Calderon and the PRD candidate Lopez Obrador. Sakaba noted the political controversy over illegal immigration to the U.S., speculating that if incumbent president Vincente Fox handles this issue well, he can strengthen Calderon's chances in the race. Asked where immigration stands in U.S.-Mexico relations, A/S Shannon relied that U.S. immigration policy is a domestic rather than foreign policy issue. The Department's role is to stress to

Mexico the importance of keeping a low profile on the issue. The immigration debate in the U.S. is very sensitive, and a too-strong Mexican voice could hurt progress toward reasonable and effective immigration policies.

Paraguay

¶10. (C) Paraguay is unique in the LAC region because of its diplomatic relations with Taiwan, its military relations with the U.S. and its recent influx of immigrants from the Middle East, Sakaba observed. He asked if the U.S. plans to establish a U.S. military base in the region. While the U.S.

is coordinating with Paraguay on counterterrorism measures and some military training, it has no plans to establish a U.S. military base there, assured Shannon. The U.S. is party to the "3 1" talks, along with Brazil, Argentina and Paraguay. The group's focus is on the tri-border area, a region known for contraband, money laundering and Islamic groups, with some connections to Hezbollah sending money back to the Middle East. President Duarte is eager to cultivate better relations with the U.S. to gain leverage with Brazil and prevent drug trafficking in the region from spreading to Paraguay, Shannon explained.

ODA

¶11. (C) Japan's developmental assistance to LAC reached its peak with the disbursement of USD 1.2 billion in 1997-1998, but has since been slowly declining, according to Sakaba. This is in large part due to many Latin American countries "graduating" from the assistance program when their GDP rises above a certain level. Japan's budget pressure also has led to cuts in ODA. The most recent statistics available show a low of USD 3 million disbursed in 2004. However, Sakaba explained, the repayment of soft loans by LAC countries is subtracted against the net disbursement, so the actual net program amount is greater. Furthermore, he expects the figures for 2005 to increase because Japan recently begun extending soft loans again after a period of inactivity. Sakaba expressed interest in U.S. reliance on NGOs for development assistance. Shannon explained that U.S. use of NGOs varies from country to country. In Colombia, the assistance goes largely to the government, but in Haiti the U.S. relies exclusively on NGOs.

APEC and FEALAC

¶12. (C) Shannon expressed his concern that Japan views APEC as solely an Asian organization, even though Mexico, Peru and Chile are current members and Panama, Colombia and Ecuador are angling for membership. APEC can play an important role

in LAC by linking it to dynamic countries in Asia. This could encourage LAC governments, especially new governments, to make the right decisions and maintain a global focus, Shannon noted. Japan views APEC as an American-Asian organization and not just an Asian organization, assured Sakaba. He added that Peru will be hosting the 2008 APEC meeting. Since the moratorium for new members is up in 2007, Colombia's membership bid should also come on the agenda.

¶13. (C) Sakaba also referred to the Forum for East Asia Latin America Cooperation (FEALAC) as another important cooperative forum between East Asia and LAC. To date, there have been two Foreign Ministerial-level meetings, with Brazil set to host the third. Brazil and Korea hold the current Coordinator positions; Deputy Coordinators Japan and Argentina will become the Coordinators after the Brazil meeting. The framework of this forum aids in structuring cooperation between East Asia and Latin America in three specific areas: economic and social, political, and science and technology. Still, Sakaba admitted it was a slow, step-by-step process.

China

¶14. (C) Turning to China's presence in Latin and Central America, Sakaba explained that Beijing's increased business interests in the region were a recent development. China was not simply competing with Taiwan and promoting its businesses, but was also procuring natural resources including food and energy supplies. Beijing is giving priority to countries that can export natural resources to China, such as Brazil, Argentina, Chile, Ecuador, Venezuela, and to a certain degree, Colombia. In addition, Mexico is now a large market for Chinese exports. Sakaba said that China's volume of trade in the LAC reached USD 50 billion in

2005, for the first time surpassing Japan's at USD 41 billion. He felt China's level of trade would soon surpass that of the European Union.

¶15. (C) China did not think about energy and natural resources within the context of competing with the United States, Sakaba opined. Instead, he said Japan was competing with China. The sheer volume of Chinese trade in the region affects the prices of products such as soybeans. Tokyo did not view this acquisition of resources as a "negative," because Japan's investments in China were to a certain degree dependent on the PRC's ability to procure resources. In addition, Japanese shipping and trading companies were currently involved in the Chinese trade to the LAC. As a result, Sakaba said it is important for Tokyo to pay close attention to how Beijing's relationship with Latin and Central America further develops.

¶16. (C) Regarding the non-economic aspects of Chinese engagement in the area, Sakaba said China's exports of weapons to Latin America might be a "point of interest" for both Japan and the United States to follow. Beijing is also focusing on those Caribbean and Central America countries that have established ties with Taiwan. China is pressuring Central American countries to establish formal diplomatic relations with the PRC. Sakaba cited China's decision to refuse Panama's request to establish a trade office in Beijing, wanting instead an Embassy.

¶17. (C) Top PRC leaders announced a USD 10 billion investment program in Latin America, Sakaba continued, but many in the region are disappointed because these commitments have not materialized as quickly as they had hoped. Japan was working through FEALAC and wanted to encourage the development of a positive relationship between China and Latin America. The U.S. largely shared Japan's assessment of China's role in Latin America, A/S Shannon responded. Washington is keeping an eye on how Beijing's political influence is growing with increased economic engagement, noting that some in Latin America may see an increased Chinese role as a counterbalance to the United States in the region.

¶18. (C) Many Latin Americans did not have a clear understanding of China or the Chinese people, Sakaba asserted. Beijing could exploit this "innocence." Many Latins do not understand that in dealing with Chinese corporations, they are dealing with state-owned enterprises rather than with private firms.

¶19. (C) Wrapping up the meeting, Sakaba said that Japan, China and South Korea would hold trilateral consultations on Latin America towards the end of April. The goal of the meeting was for the three countries to better understand their respective positions on the region. Shannon thanked Sakaba for providing his assessment of Latin and Central American affairs that, he said, largely parallels that of the United States. He hoped to continue their discussion and to explore how the United States and Japan could work together in the region. Sakaba responded that USAID and JICA have a good history of cooperation in the area, and that Tokyo would like to continue working closely with Washington in the future. Shannon concluded by saying that such joint cooperation would send a strong message to Latin America.

¶20. (U) Assistant Secretary Shannon cleared this message.
SCHIEFFER